



GAIL FARBER, Director

COUNTY OF LOS ANGELES DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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ALHAMBRA, CALIFORNIA 91803-1331

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ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

November 03, 2015

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

20 November 3, 2015


PATRICK O'GAWA
ACTING EXECUTIVE OFFICER

**PROPOSED AMENDMENT 1 TO LEASE AGREEMENT 78256
BETWEEN THE COUNTY AND BILLION AIR AVIATION, INC.,
TO EXTEND THE DEADLINE TO COMPLETE THE
CONSTRUCTION OF AN AVIATION FUEL STORAGE FACILITY AT
THE SAN GABRIEL VALLEY AIRPORT IN THE CITY OF EL MONTE
(SUPERVISORIAL DISTRICT 1)
(4 VOTES)**

SUBJECT

This action is to approve and instruct the Mayor to sign the proposed Amendment 1 for Lease Agreement 78256 between the County and Billion Air Aviation, Inc., to extend the deadline for Billion Air Aviation, Inc., to complete construction of an aviation fuel storage facility from 12 to 18 months from the commencement date of Lease Agreement 78256.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed Amendment 1 to Lease Agreement 78256 is categorically exempt from the provisions of the California Environmental Quality Act and in the record of the project for the reasons stated in this letter.

2. Approve and instruct the Mayor to sign the proposed Amendment 1 to Lease Agreement 78256 between the County and Billion Air Aviation, Inc., that establishes a new deadline for completing construction of the aviation fuel storage facility.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended actions is to extend the deadline for Billion Air Aviation, Inc., (Lessee) to complete construction of an aviation fuel storage facility from 12 months from the commencement date of Lease Agreement 78256 (Lease) to 18 months from the commencement date of the Lease.

On August 19, 2014, the Board approved the Lease between the County and Billion Air Aviation, Inc., for a term of 10 years with two 5-year options to renew the Lease. The Lessee is required to construct an aboveground aviation fuel storage facility consisting of a 2,000-square-foot concrete pad and two cylindrical fuel tanks within 12 months from the commencement date of the Lease. All of the improvements made to the premises by the Lessee will be owned by the County upon termination of the Lease. If the Lessee does not complete the construction of the fuel storage facility within the 12 month deadline that occurred on August 19, 2015, the Lease requires that the Lessee pay a penalty of \$27,000.

By the end of June 2015, the Lessee obtained all of the necessary permits for construction of the fuel storage facility and completed construction of the concrete pad and electrical lines to accommodate the fuel storage tanks. However, in early July 2015, the Lessee experienced unanticipated delays in acquiring and installing the fuel tanks due to the tank manufacturer's inability to meet its commitments to the Lessee. The Lessee informed the Department of Public Works about the unanticipated delays and requested a 6-month extension to complete the construction of the aviation fuel storage facility.

On July 17, 2015, the Lessee made arrangements with another tank manufacturer who is currently building the fuel tanks and is expected to ship them to the Lessee by November 30, 2015. Installation of the tanks after the Lessee receives them at the project site should take approximately 2 to 4 weeks. The extension of the deadline to complete construction of the fuel storage facility is intended to provide the Lessee with sufficient time to complete construction of the fuel storage facility.

If the monetary penalty were to be imposed on the Lessee for not completing construction of the fuel storage facility, it would likely cause financial hardship and jeopardize the Lessee's ability to complete the facility in 6 months. By granting the Lessee an extension of time to complete construction, the County will not only own the fuel storage facility at the end of Lease Amendment 1 but will be able to collect fuel flowage fees from the Lessee for every gallon of fuel that the Lessee dispenses from the facility. The fuel flowage fees are anticipated to exceed \$1 million over the term of the Lease.

Public Works finds that it is in the County's best interest to approve the proposed Lease Amendment 1 that will allow the Lessee to complete construction of the fuel storage facility.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs the provisions of Operational Effectiveness/Fiscal Sustainability (Goal 1) and Integrated Services Delivery (Goal 3). Implementation of the recommended actions will continue to provide improved products, services, and facilities for airport customers and will support quality public works infrastructure services to the communities.

FISCAL IMPACT/FINANCING

There will be no impact to the County General Fund.

Consistent with its Lease, the Lessee will continue to make monthly rental payments to the County, and the County's airport management contractor American Airports Corporation will continue to collect the rental revenue for the Lease and distribute 45 percent of the Lease payments into the Aviation Enterprise Fund.

In addition, consistent with its Lease, the Lessee will pay to the County a fuel flowage fee for each gallon of aviation fuel dispensed by the Lessee at the airport. The current flowage fees are \$0.30 per gallon for Avgas and \$0.35 per gallon for Jet A. One hundred percent of the fuel flowage fees will be deposited into the Aviation Enterprise Fund. By extending the deadline to complete construction, the proposed Lease Amendment 1 may also delay the County's collection of fuel flowage fees by 6 months. However, the completion of the construction will ensure that the County will ultimately collect such fuel flowage fees from the Lessee throughout the remaining term of the Lease.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

After consideration of the Lessee's request to amend its Lease and an extensive evaluation of the Lessee's ability to complete the construction of the aviation fuel storage facility consistent with the Lease, Public Works concludes that the best way to ensure that the aviation fuel storage facility is completed and related fuel flowage fees are paid to the County is to amend the Lease.

Aside from the changes to the Lease contained in the proposed Lease Amendment 1, all terms, conditions, and provisions of the original Lease will remain in full force and effect.

The proposed Lease Amendment 1 has been reviewed and approved as to form by County Counsel.

ENVIRONMENTAL DOCUMENTATION

On August 19, 2014, the Board found that Lease Agreement 78256 is categorically exempt from the provisions of the California Environmental Quality Act (CEQA). The proposed Lease Amendment 1 does not propose any additional construction beyond what is described in the Lease. Therefore, the proposed Lease Amendment 1 is also categorically exempt from the provisions of CEQA.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The users of the airport will benefit from the proposed Lease Amendment 1 that will result in the addition of a fixed-base operator at the airport who will offer competitive retail fueling among other aviation products, services, and facilities to the users of the airport.

CONCLUSION

Please return four adopted copies of this letter and the signed original proposed Lease Amendment 1 to the Department of Public Works, Aviation Division. Also, please forward one adopted copy of the letter and proposed Lease Amendment 1 to the Assessor, Possessory Interest Division, and one to the Auditor-Controller, General Claims Division.

Respectfully submitted,

A handwritten signature in cursive script that reads "Gail Farber".

GAIL FARBER
Director

GF:RLS:jem

Enclosures

c: Assessor
Auditor-Controller
Chief Executive Office (Rochelle Goff)
County Counsel (Adrienne Byers)
Executive Office

**AMENDMENT 1 TO LEASE AGREEMENT 78256
TO EXTEND THE DEADLINE TO COMPLETE CONSTRUCTION OF
THE AVIATION FUEL STORAGE FACILITY
AT SAN GABRIEL VALLEY AIRPORT, EL MONTE, CALIFORNIA**

THIS AMENDMENT 1 TO LEASE AGREEMENT 78256 is made and entered into this 3rd day of November 2015,

BY AND BETWEEN

COUNTY OF LOS ANGELES, a body corporate and politic (hereinafter referred to as "County"),

AND

UAA INTERNATIONAL, INC.
dba BILLION AIR AVIATION (hereinafter referred to as "Lessee"),

WITNESSETH

WHEREAS, County and Lessee entered into Lease Agreement 78256 on August 19, 2014, for the construction of an aviation fuel storage facility and to operate as a fixed-base operator at San Gabriel Valley Airport, El Monte, California; and

WHEREAS, Lessee was unable to complete the construction of the aviation fuel storage facility within twelve (12) months of the commencement date of Lease Agreement 78256 due to the original tank manufacturer's inability to meet its commitments to Lessee; and

WHEREAS, the County and Lessee desire to amend Lease Agreement 78256 to extend the deadline for Lessee to complete construction of the aviation fuel storage facility to eighteen (18) months from the commencement date of Lease Agreement 78256.

NOW, THEREFORE, in consideration of the payment of rent and performance of the terms, covenants, and conditions hereinafter contained, to be kept and performed by the respective parties hereto, it is mutually agreed that Lease Agreement 78256 be amended as follows:

1. SECTION 4.5 is deleted in its entirety and replaced with the following:
 - 4.5 Lessee shall have eighteen (18) months from the commencement date of the Lease to complete construction of the aviation fuel storage facility as described in Exhibit C of this Lease.
 - 4.5.1 In the event that the aviation fuel storage facility is not completed within eighteen (18) months from the commencement date of the Lease, Lessee shall pay to County or Manager \$39,000, which is the amount of the rental abatements granted Lessee for the aviation fuel storage facility during the first eighteen (18) months of the Lease and all remaining rental abatements for the aviation fuel storage facility as described in Sections 4.2.2 through 4.2.10, will cease.
2. This Amendment 1 shall be effective as of the date of approval by the County Board of Supervisors.
3. It is mutually understood and agreed that all other terms and conditions and provisions of the original Lease Agreement 78256 shall remain in full force and effect except as modified in Paragraph 1 above.

The remainder of this page intentionally left blank.

IN WITNESS WHEREOF, the parties hereto have caused this AMENDMENT 1 TO LEASE AGREEMENT 78256 to be executed by their respective officers, duly authorized by UAA INTERNATIONAL INC., dba BILLION AIR AVIATION on _____, 2015, and by the COUNTY OF LOS ANGELES on November 3, 2015.

COUNTY OF LOS ANGELES

By Mike Antonovich
Mayor, County of Los Angeles

ATTEST:

PATRICK OGAWA
Acting Executive Officer of the
Board of Supervisors of the
County of Los Angeles



I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made.

PATRICK OGAWA
Acting Executive Officer
Clerk of the Board of Supervisors

By Carla Little
Deputy

By Carla Little
Deputy

APPROVED AS TO FORM:

MARY WICKHAM
Interim County Counsel

By M. J. FOR A.M.D.
Deputy

AGREED:

UAA INTERNATIONAL, INC.
dba BILLION AIR AVIATION
a California Corporation

By Majid Khatib
Majid Khatib

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

20 NOV 03 2015

Patrick Ogawa
PATRICK OGAWA
ACTING EXECUTIVE OFFICER